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151701Z Jul 03

UNCLAS SECTION 01 OF 02 OTTAWA 001996

SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [CA](#)

SUBJECT: CANADA'S PROVINCIAL PREMIERS TAKE A STAND

1. Summary: Canadian premiers met for their annual conference on July 9-11 at Charlottetown, Prince Edward Island (PEI). The tone was upbeat. The premiers went beyond the ritual criticism of federal heavy-handedness and demands for more funding out of Ottawa and focused on ways to make their collective voice better heard. Their frustration over the perceived domination by Ottawa of the common agenda provided impetus for their proposal for a new Council of the Federation, a regular gathering of the provincial and territorial premiers to hammer out common positions on the major shared issues facing the provinces and territories. The premiers, buoyed by the welcome participation of the newly elected federalist Premier of Quebec, Jean Charest, have taken an impressive first step toward the establishment of a more balanced consensual joint governance. The GOC has not given the proposed Council much consideration, as new leadership will soon take command and have to deal with the challenge. End Summary.

2. Canada's provincial and territorial premiers met July 9-11 in Charlottetown, PEI, for their annual gathering. Three main themes dominated the discussion: provincial/federal co-operation, the role of the premiers in Canadian-U.S. relations, and a more equitable sharing of federal-controlled resources in support of provincial responsibilities. The highlight was the group's attempt, led by newly elected Quebec Premier Jean Charest, to inject more provincial input into the national agenda, heretofore largely dominated by the federal government. The vehicle is to be a newly created "Council of the Federation." The goal is to give the premiers a forum to discuss and hash out common positions on key Canadian issues under their purview and, as a result, reassert provincial prerogatives. The thirteen premiers will initially meet alone, excluding the Prime Minister and the federal government until the Council decides to invite them. It is particularly noteworthy that the impetus for this initiative was the newly elected Quebec Premier, Jean Charest, a federalist without the anti-federal baggage of some previous Quebecois premiers. This impressive display of national leadership from Quebec bodes well for inter-provincial cooperation vis-a-vis Ottawa, which has been impeded for at least the past decade by Quebecois determined non-participation.

3. The Council intends, most basically, to improve federal and provincial co-operation. It is a renewed expression of provincial strength and unity that may replace the annual premiers' meetings. The exuberant premiers termed the establishment of the Council (which, however, will not require an amendment to the Canadian Constitution) as approaching in importance the historic 1864 meeting in Charlottetown, which set the basic outline for the creation of the Canadian Confederation. Despite the headlines, however, it is very much a work in progress, and it is far from clear what the Council will do for the ordinary citizen. The follow-up meeting of the premiers and territorial leaders on October 24 in Quebec City will indicate what kind of legs, if any, the Council has. It will meet perennially and likely have a small secretariat to help organize the agenda, but will primarily serve the role of a think-tank to help the premiers focus on and consult over such issues as health care, inter-provincial trade, and mobility rights.

4. The premiers also discussed their potential role in Canadian-U.S. relations. International affairs have not fallen within provincial jurisdiction in the past, but they argued that they can act as effective interlocutors with their counterparts in the U.S. states. The Canadian federal government, they argue, could use help on the various issues that affect the provinces and territories directly, such as BSE-related embargoes of Canadian beef, softwood lumber, pipeline construction, cross-border pollution, SARS, wheat exports, and fisheries. They contend the governors and legislators, including Federal Senators and Congressmen from U.S. states that have similar issues, would be more likely to be receptive to their arguments than Washington.

5. The flow of funding from the federal government to the provinces has been a constant source of friction. Constitutionally, the federal government has greater tax powers, but the provinces have the responsibility for providing costly services such as roads, health insurance,

and education. Typically, after such gatherings, the meeting ended with a call for Ottawa to inject an already promised C\$3 billion into the healthcare system over the next two years and to make good on federal promises to top this up with some C\$2 billion in surplus revenues projected for the current year.

16. Comment: To claim that the creation of the Council of the Confederation will represent a serious challenge to federal authority would greatly overstate the meaning of the recent provincial premiers' meeting. However, Premier Charest, throwing Quebec's newfound federalist weight into the mix, has energized his provincial colleagues and has set in train an interesting and potentially significant positive development. This fresh attempt to redefine federal-provincial relations, while it may come too late to be implemented by the outgoing Prime Minister, will pose his successor with an interesting option. Will he (or she) be tempted to underplay this potential challenge to federal authority, or be tempted to deal with it in a positive, creative manner, one which might well lead toward a constructive redefinition of the federal-provincial partnership? Prime Minister Chretien has not responded to the proposed Council of the Federation; however, Liberal Party leader Paul Martin, the suspected future PM, continues to give this proposal thoughtful consideration.